



**Legislative Assembly for the
Australian Capital Territory**

Standing Committee on Public Accounts

Inquiry into the Auditor-General's Report No. 6 of 2020: Transfer of Worker's Compensation Arrangements from Comcare

Report 4

Legislative Assembly for the Australian Capital Territory
Standing Committee on Public Accounts

Approved for publication

10th Assembly
February 2022

About the committee

Establishing resolution

The Assembly established the Standing Committee on Public Accounts on 2 December 2020.

The Committee is responsible for the following areas:

- ACT Auditor-General
- ACT Ombudsman
- Office of the Legislative Assembly
- Accounts of the receipts and expenditure of the ACT and its authorities
- All reports of the Auditor-General which have been presented to the Assembly
- Treasury including taxation and revenue.

You can read the full establishing resolution [on our website](#).

Committee members

Mrs Elizabeth Kikkert MLA, Chair

Mr Michael Pettersson MLA, Deputy Chair

Mr Andrew Braddock MLA

Secretariat

Mr Samuel Thompson, Committee Secretary (from 29 August 2021)

Ms Annemieke Jongsma, Committee Secretary (to 29 August 2021)

Ms Sophie Milne, Senior Research Officer

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Contact us

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About this inquiry

Under its resolution of establishment, the Standing Committee on Public Accounts examines all reports of the Auditor-General which have been presented to the Legislative Assembly. Specifically, the resolution requires the Committee to inquire into and report on reports of the Auditor-General which have been presented to the Assembly.

Acronyms

Acronym	Long form
ACT	Australian Capital Territory
CMTEDD	Chief Minister, Treasury, and Economic Development Directorate
EML	Employers Mutual Limited
HR	Human Recourses
ICT	Information and Communication Technology
MLA	Member of the Legislative Assembly

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Recommendations

Recommendation 1

The Committee recommends that the ACT Government finalise negotiations with Comcare and ensure the transfer of assets from Comcare is received by no later than the end of this financial year.

1. Introduction

Preliminary

- 1.1. Reports of the Auditor-General form a significant part of the Committee's work. The Committee has an important role to follow-up on the reports and recommendations of the Auditor-General.
- 1.2. Where the Committee determines a report of the Auditor-General requires further examination by the Committee, it may conduct a formal inquiry into the matter. This may include calling for written submissions, hearing from witnesses, and preparing a written report for presentation to the Legislative Assembly.

Acknowledgements

- 1.3. The Committee acknowledges those who contributed to its inquiry, including the Auditor-General, the responsible Minister, and directorate officials.

2. Conduct of inquiry

Referral and decision to further inquire

- 2.1. Auditor-General's Report No. 6 of 2020: *Transfer of Worker's Compensation Arrangements from Comcare* (the Audit Report) was presented to the Legislative Assembly on 2 July 2020.
- 2.2. The Audit Report examined and considered the effectiveness of the transfer of ACT Public Service workers' compensation arrangements from Comcare to the Territory.
- 2.3. In accordance with the resolution of establishment of the Standing Committee on Public Accounts (the Committee), the Audit Report was referred to the Committee for examination.
- 2.4. The Government Response to the Audit Report was presented to the Assembly on 20 August 2020.
- 2.5. On 11 May 2021 the Committee formally announced to the Assembly it would be undertaking further inquiry into the Audit Report.

Conduct of inquiry

- 2.6. On 20 May 2021 the Committee received a briefing from the Auditor-General in relation to the Audit Report.
- 2.7. On 16 June 2021 the Committee heard evidence from the Minister for Industrial Relations and Workplace Safety, senior officials of the Chief Minister, Treasury, and Economic Development Directorate (CMTEDD), and the Auditor-General and his staff.
- 2.8. On 2 February 2022 the Committee met to consider the Chair's draft report on its inquiry.
- 2.9. On 2 February 2022 the Committee adopted the Report on its inquiry for presentation to the Legislative Assembly.

3. Audit background and outcomes

- 3.1. This chapter presents an overview of the Auditor-General's Report No. 6 of 2020: *Transfer of workers' compensation arrangements from Comcare*.

Audit background

- 3.2. Prior to 2018, ACT Public Service worker's compensation was insured under the Commonwealth worker's compensation scheme, Comcare. In 2018 the ACT Government applied, and was approved, to become a self-insured licensee under the *Safety, Rehabilitation and Compensation Act 1988* (Cwlth). Subsequent to this decision, the contractual rights and obligations, and the financial liabilities and assets, relating to the ACT Public Service workers' compensations were to be transferred to the Territory from Comcare.¹
- 3.3. The Audit Report outlined its focus as follows:

The Audit considered the effectiveness of the transfer of the ACT Public Service workers' compensation arrangements from Comcare. The Audit focused on the activities of CMTEDD to prepare for, and manage, the transition to self-insurance and manage Employers Mutual Limited, which provides claims management services to the Territory.²

Audit conclusions

- 3.4. The Audit Report concludes that, in relation to the assessment of liabilities and assets, 'the Territory and Comcare are yet to reach an agreement on the quantum of assets to be transferred'³ and 'as a result, the Territory does not currently have sufficient assets in its Public Sector Workers' Compensation Fund to cover its workers' compensation liabilities'.⁴ The Audit Report found that the Territory had been meeting its liabilities since becoming a self-insured licensee by using a 'partial premium refund' that was received from Comcare as well as premiums received from ACT Government agencies.⁵ The 'partial premium refund' occurred because the ACT Government paid its full 2018-19 annual insurance premium to Comcare at the beginning of that financial year, but became self-insured from 1 March 2019, necessitating a refund for premiums paid covering 1 March–30 June.⁶ The Audit Report notes the continuing uncertainty associated with the transfer of the assets presents a financial risk to the Territory.⁷

¹ ACT Audit Office, *Transfer of workers' compensation arrangements from Comcare*, Auditor General's Report No 6, 2020, p 1.

² Auditor General's Report No. 6 of 2020, p 1.

³ Auditor General's Report No. 6 of 2020, p 1.

⁴ Auditor General's Report No. 6 of 2020, p 1.

⁵ Auditor General's Report No. 6 of 2020, p 1.

⁶ Auditor General's Report No. 6 of 2020, p 35.

⁷ Auditor General's Report No. 6 of 2020, p 1.

- 3.5. In relation to the receipt of claims and data from Comcare, the Audit Report found that CMTEDD implemented effective governance arrangements for the Territory's transition to self-insurance, and that data relevant to the Territory's ongoing management of its workers' compensation, was transferred from Comcare in accordance with the data security requirements of the Territory.⁸ However, the Audit Report noted that 'there were no documented data integrity processes or procedures in place to confirm that data was migrated accurately'.⁹ The Audit Report concluded that 'there is no documentation associated with the quality assurance processes and procedures that were purported to be implemented'.¹⁰
- 3.6. Finally, the Audit Report concluded that, in relation to governance and administrative arrangements, CMTEDD had developed effective governance arrangements for the management and oversight of the Public Sector Workers' Compensation Fund and the Territory's compliance with its self-insurance license requirements. CMTEDD has established effective contract management arrangements to oversee the claims administration services provided by Employers Mutual Limited.¹¹

Audit recommendations

- 3.7. The Auditor-General made no recommendations in the Audit Report.

⁸ Auditor General's Report No. 6 of 2020, p 37.

⁹ Auditor General's Report No. 6 of 2020, p 50.

¹⁰ Auditor General's Report No. 6 of 2020, p 39.

¹¹ Auditor General's Report No. 6 of 2020, p 6.

4. Committee comment

Data integrity assurances

- 4.1. The Committee notes a key finding of the Audit Report was a lack of clarity regarding data integrity assurances during the claims data transfer between Comcare and the ACT Government. The Audit Report states as follows:

[T]he ACT Government had not documented the data integrity processes or procedures that were in place to confirm that data was migrated accurately, i.e. that the client information matched with the correct claims data. ... There is no documentation associated with the quality assurance processes and procedures that were purported to be implementation.¹²

- 4.2. During the public hearing, the Committee heard from Mr Michael Young, Executive Group Manager for Workplace Safety and Industrial Relations at CMTEDD, who put to the Committee that quality assurance controls had indeed been implemented to test the integrity of the data, stating:

The audit report, in looking at the transition project methodology, because of its scope, did not have access to the totality of tools that we have in place to manage this function. There are a whole range of business-as-usual functions that go to exactly that issue – checking that the information that we have, and that we are using to manage claims, is complete and proper.¹³

- 4.3. Mr Young described a range of data integrity checks which were carried out on the data, and explained that an MOU is in place to allow for checks for discrepancies to be made against the original data files, which are still retained by Comcare.¹⁴ Mr Young stated:

If I was doing it again, we would make sure that there were documented processes, but I am comfortable that we have ongoing arrangements in place to ensure that we have a complete and fit-for-purpose dataset housed inside ICT systems that have good security arrangements and ongoing validation methods.¹⁵

The Committee is satisfied with this explanation.

¹² Auditor General's Report No. 6 of 2020, p 51.

¹³ *Committee Hansard*, 16 June 2021, p 20.

¹⁴ *Committee Hansard*, 16 June 2021, p 21.

¹⁵ *Committee Hansard*, 16 June 2021, p 21.

Asset transfer

- 4.4. The Committee is of the view that negotiations and the transfer of financial assets between Comcare and the ACT Government should be finalised as a matter of priority. The Committee notes the Auditor-General's comments relating to the risks associated with a failure to reach agreement to transfer funds including the following:

The delays in receipt of the transfer asset from negotiations between Comcare and the Territory raises a risk that the Public Sector Workers' Compensation Fund is unable to meet its workers' compensation liabilities. The Territory has advised, however, that 'the Public Sector Workers' Compensation Fund, and hence the workers' compensation insurance coverage, should be able to maintain normal operating procedures indefinitely, paying for workers' compensation claims on a cash flow basis from annual premiums collected each year'. However, the longer that the issue of the transfer of financial assets (funds) remains unresolved the greater the financial risk to the Territory, as it has fewer options to manage increases to its workers' compensation liabilities.¹⁶

- 4.5. At the Committee's hearing on 16 June 2021 Mr Stephen Miners, Under Treasurer at CMTEDD, stated on the subject of the delay in assets transfer between Comcare and the ACT Government 'we are hopeful that that work will be resolved in this calendar year'.¹⁷ The ACT Budget papers for 2021-2022 include the following statement in regard to the public sector workers compensation fund:

2021-22 priorities and next three financial years

Strategic and operational priorities to be pursued in 2021-22 and for the next three financial years include:

...

- finalising transitional arrangements with the Commonwealth, including the final assessment of transferred claim liabilities and associated asset transfers;¹⁸

- 4.6. The Committee acknowledges that the ACT Government has provided assurances that a number of safeguards have been put in place to ensure it has sufficient funds to meet their liabilities.¹⁹

Recommendation 1

The Committee recommends that the ACT Government finalise negotiations with Comcare and ensure the transfer of assets from Comcare is received by no later than the end of this financial year.

¹⁶ Auditor General's Report No. 6 of 2020, p 36.

¹⁷ *Committee Hansard*, 16 June 2021, p 15.

¹⁸ ACT Government Budget 2021-22, *Budget Statements B*, pp 293–294.

¹⁹ Ms Suzanne Orr MLA, Minister for Employment and Workplace Safety, *ACT Government Response to Audit-General's Report No 6 of 2020*.

5. Conclusion

- 5.1. The Committee is of the view that the Auditor-General's performance audit report into the transfer of worker's compensation arrangements from Comcare has highlighted a number of key areas for improvement for the ACT Government.
- 5.2. The Committee has provided comment on the issue of data integrity assurances undertaken by the ACT Government following the transfer of data from Comcare, and has acknowledged the government's explanation of the matter.
- 5.3. The Committee has made one recommendation in relation to its inquiry into the Auditor-General's Report No. 6 of 2020 relating to the finalisation of financial asset transfer.

Mrs Elizabeth Kikkert MLA
Chair, Standing Committee on Public Accounts
4 February 2022

Appendix A: Witnesses

16 June 2021

ACT Audit Office

Mr Michael Harris, Auditor-General

Mr Brett Stanton, Assistant Auditor-General, Performance Audit

Ms Laura Thomas, Senior Director, Performance Audit

Industrial Relations and Workplace Safety Portfolio

Mr Mick Gentleman MLA, Minister for Industrial Relations and Workplace Safety

Mr Stephen Miners, Under Treasurer, Treasury, CMTEDD

Mr Michael Young, Executive Group Manager, Workplace Safety and Industrial Relations, Workplace Capability and Governance, CMTEDD

Appendix B: Question Taken on Notice

Number	Type of Question	Hearing Date	Asked by	Directorate	Subject	Answer Date
1	QTON	16/6/2021	Braddock	CMTEDD	Claims payment improvements	29/6/2021